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**Document Information** (MDE received permission from one of its MI Excel SSoS partner organizations to share this sample procedure as an example of one organization's effort to comply with federal requirements and to assure appropriate internal controls over purchasing. LEA Districts and ISDs are encouraged to implement their own procedures and bid thresholds for assuring fidelity to federal grant requirements.)

Document Title: Purchasing and Contracting Procedures

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## **Abbreviations and Definitions Used in this Document**

- CEO President** The President (name) must approve any purchase or contract request above \$20,000 in aggregate value.
- VP VP of Business Services** (name) The VP must approve all PO requests and SSJF's.
- IP Intellectual Property** (a broad term that relates to the ownership of work products developed exclusively for the entity, such as computer code, course content, images, media or publications)
- NDA Non-Disclosure Agreement** (a standard document, combined with a two-way confidentiality agreement, that binds both the entity and the supplier to terms related to disclosure and confidentiality of each other's data and other information)
- PO Purchase order** (a standard document that provides a written authorization for a supplier to ship products or provide services at a specified price, which becomes a legally binding document once the supplier accepts it)
- RFQ Request for Quotation** (a standard document that invites suppliers to quote for products or services that the entity is seeking to purchase)
- SOW Statement of Work** (a custom document following a standardized format that describes the exact deliverables, timeline, payment, and acceptance procedures for contracted work products; may also be called a Work Product Contract)

**SSJF Sole Source Justification Form** (a standard document that is required to justify awarding of a purchase or contract with a vendor without competitive bidding, or after a failed competitive bid)

**Budget Controller** – The staff person who controls the budget center who will be paying for the product or services.

**Competitive bid** – a process that involves gathering at least three different price quotes at the same time and for the exact product or service.

**Consulting Agreement** – a custom document following a standardized format that describes the exact deliverables, timeline, payment, and acceptance procedures for products or services contracted from an outside consultant.

### ***Document Summary***

The purpose of this document is to describe the purchasing policies and illustrate the procedures and process of acquiring goods or services with or without a separate contract with the vendor.

#### **Key purchasing policies and practices summary -**

- Purchase orders must be created and approved prior to purchase or purchase commitment for all acquisitions (orders) with a value of over \$1500.00.
- At least three price quotes are required for purchasing any office furnishings or equipment with an aggregated value over \$1,000 but are encouraged for all such acquisitions as they are so easy to accomplish.
- A documented competitive bid process is required for any acquisition of products or services with an aggregated value over \$19,000 per fiscal year.
- A formal **Request for Quote** (RFQ) process including a review team is normally required for all purchases with an aggregated value over \$50,000 per fiscal year. Prior to receiving the RFQ, a vendor and THE ENTITY must sign a 2-way Confidentiality and Non-Disclosure Form.  
***In order to avoid the appearance of any conflict of interest, no vendor can be used to assist staff in writing any RFQ documents.***
- In lieu of competitive bids, an approved **Sole Source Justification Form** must precede the issuance of a purchase order or contract.
- An **IP Agreement** is normally required prior to issuance of any contract or purchase that involves the creation of intellectual property, or has a value exceeding \$50,000 per fiscal year.
- Every purchase regardless of amount must be formally approved by the appropriate Budget Controller.

- Unbudgeted (emergency or unplanned) expenses require approval of the VP and CEO depending on the dollar amount.
- Grant funded purchases or contracts often come with specific regulations regarding purchasing and future disposal of equipment, acquiring consulting services, intellectual property ownership, reporting, and audit procedures.

### **Key purchasing and contracting flow summary:**

The typical process for the Initiator of a **purchase** involves 1) verifying budget availability and getting Budget Controller approval, 2) obtaining competitive bids or completing an RFQ (complete Sole Source if required), 3) complete PO request form, get approvals and submit to VP (may also require a NDA), 4) transmit Accounting provided official PO to awarded vendor, 5) provide shipping/receiving information to Accounting, and 6) authorize payment of invoice(s) as requested by Accounting. *Please note that only certain staff are authorized to create a Purchase Order Request.*

The typical process for the Initiator of a **contract** for a consultant or for services involves 1) verifying budget availability and getting Budget Controller approval, 2) obtaining competitive bids or completing an RFQ (complete Sole Source if required), 3) creating a Statement of Work, Memorandum of Understanding, or Contract and getting all necessary sign-offs internally and from the vendor (two signed originals of each document are required; may also require NDA), 4) complete PO request form, get approvals and submit to VP, 5) transmit Accounting provided official PO to awarded vendor and their originals for all documents referenced in 3 above, and 6) authorize payment of invoice(s) as requested by Accounting.

**NOTE:** *Each step in the above sequence must be carried out in order and all related documentation and approvals must move along with your request from start to finish.*

*No entity staff member is authorized to edit any of the content or alter any of the terms or conditions within any of the standardized purchasing or contracting document. Any proposed changes need to be first approved by the VP, and may also require President and Board approval.*

*Similarly, no staff member is authorized to accept the purchase or contract terms, or any terms and conditions offered by a supplier without first approval by the VP. Using non-standard documents (or vendor provided documents) will nearly often require prior and expensive legal review by our attorney's before acceptance.*

## **Purchase Process Outline**

### **1. The Initiator of the purchase for goods and services first determines if the amount will exceed \$1500.**

- a. If it will not exceed \$1500, the initiator can purchase the product or service with the documented approval of the appropriate Budget Controller without requesting a purchase order. Purchase receipt must be approved by the Budget Controller and submitted to Accounting within 24 hours of purchase. If the purchased item is shipped, the packing list also must be submitted to Accounting.
- b. If it will exceed \$1500, continue to step 2.

### **2. The Initiator of the purchase contacts the Budget Controller to whom the Initiator reports to determine if there is a budget available.**

- a. If there is room in the budget for this purchase, continue.
- b. If there is not room in the budget, the Initiator, with the Budget Controller, should seek approval from the President or VP to move forward with the purchase without an existing budget. Note, it may be more prudent to skip to step 3 in this Process before seeking such approval (and then come back for approval) if the dollar amount has the potential to vary.

### **3. The Initiator of the purchase gathers documentation via quotes or a bid process depending on the amount of the purchase.**

- a. If the amount of the purchase is less than \$19,000, the Initiator should solicit information in the form of a Quote or Bid from an appropriate vendor and document the amount of the purchase. For purchases that are less than \$19,000, the Initiator is still encouraged to solicit at least three bids from potential suppliers, but are not required to do so unless the purchase is for office furnishings or equipment with a value over \$1,000.
- b. If the amount of the purchase is more than \$19,000, the Initiator must solicit and document at least three legitimate bids from three suppliers.
  - i. The phrase, "The entity makes every effort to use the competitive bid process for selecting suppliers, but the entity retains the right to select other than the low bidder at its sole discretion," should be included on any requests for bids or quotes or proposals.

**If at least three bids are not solicited or returned for the purchase, the Initiator must document justification for a sole source award using the SSJF. The SSJF must be approved before completing the PO Request**

**Form.** (the MDE urges districts to be certain that it is also complying with CFR §200.320 Methods of procurement to be followed: [http://www.ecfr.gov/cgi-bin/text-idx?SID=e497976210a97593bc4265b5ae05d4ac&mc=true&node=se2.1.200\\_1320&rgn=div8](http://www.ecfr.gov/cgi-bin/text-idx?SID=e497976210a97593bc4265b5ae05d4ac&mc=true&node=se2.1.200_1320&rgn=div8))

See also the Sole Source Justification procedures below)

**4. The Initiator of the purchase completes the Purchase Order Request Form**

- a. Date is the date the form is being completed.
- b. Project/Cost Center is the Project or Cost Center whose budget will be charged for the purchase. Multiple cost centers can be indicated later in the form.
- c. Initiator/requestor is the Initiator in this process.
- d. Purchase Order Begin Date and Purchase Order End Date should be taken directly from the bid or quote. These are the dates for which the Purchase Order is valid. With a contract, there will always be a start and end date. With purchases of tangible goods, the end date will be N/A.
- e. Vendor Name and Vendor Contact, Contact Phone Number, Fax Number, Vendor Address, and Invoice Payment Schedule from the quote or bid from the chosen supplier.
- f. Indicate whether this is a purchase or contract by checking the appropriate box. All purchases over \$19,000 must be accompanied with three quotes. All contracts must have one original signed copy attached.
- g. Attach documentation that describes the reasons why a vendor that did not provide the lowest quote was selected.
- h. If this purchase relies on an existing SSJF, check the box and attach a copy of the original SSJF to the PO Request Form.
- i. Accurately describe product or service being purchased along with the Quantity, Unit Price, Line Amount, Cost Center, and account number.
- j. Fill out one line for each item on the PO.
- k. Fill out the Special Notes or PO Requirements field as necessary.

**5. The Initiator obtains all appropriate authorizations for the request beginning with the Budget Controller, then the VP, then either the Director of Finance or Accounting Administrator in Accounting Department, and then the President if needed.**

- a. For purchases under \$19,000, the Budget Controller, the VP, and the Accounting Department must all review and sign the purchase order request.
- b. For purchases of \$19,000 or more and when the low bidder's quote is selected, the Budget Controller, the VP, and the Accounting Department must all review and sign the purchase order request.

- c. For purchases of \$19,000 or more in which the low bidder has not been selected, or where a single source exists for the purchase a separate approved SSJF must accompany the purchase order request.
  - d. All consultant or contract employee services, regardless of aggregate value require the VP's and President's signature.
  - e. All purchases with an aggregate value of \$20,000 or more require the President's signature.
6. **The VP submits the purchase order request, along with all related documents (bids, RFQ and award determination, SSJF, NDA, and SOW) to Accounting.** The VP reviews the completed Purchase Order Request and supporting documentation for completeness and provides advice to the Initiator if anything is missing. *Under no circumstance, will a Purchase Order be created in the accounting system prior to receipt of all documentation with accompanying approvals!*
  7. **The Executive Director of Finance or Accounting Administrator signs the printed Purchase Order and then the Accounting Department creates the Purchase Order. Accounting creates a Vendor file, or files all of the documents in an existing folder.**
  8. **The Accounting Department forwards the original Purchase Order which is either mailed or faxed to the supplier by the Initiator.**
  9. **The Initiator forwards any packing slips to Accounting, and must approve the Invoice for the order when it is routed for approvals.**

### ***Sole Source Justification***

Purchasing procedures require competitive bids for all purchases above a \$19,000 threshold, and request them for all purchases of goods or services whenever possible.

Requesting a sole source purchase is a significant, yet sometimes necessary deviation from our competitive procurement policy. Accordingly, any sole source purchase order request must be preceded by an approved Sole Source Justification Form. The SSJF will serve as the principle audit document and is REQUIRED for any non-competitive purchase requests of goods or services with an aggregate value of \$19,000 or greater.

Please note that the approval of a sole source purchase will be based on the following rationale and documentation as presented in the Sole Source Justification Form -

- the requestor's investigation, evaluation, and documentation of alternate sources of supply. This work is a necessary prerequisite to making a sole source purchase request.
- rejection of similar products/services must be based only on their failure to meet specific and necessary specifications.

- a listing of the unique technical specifications or characteristics required of the product/services and the potential companies contacted in the search for alternate sources must be included as well as the evaluation of those products/services (whether accomplished at conferences, trade fairs, inter-office use, etc.)

**In order to avoid the appearance of any conflict of interest, no vendor can be used to assist staff in writing any sole source documents. Documentation of the above is a critical step in any sole source justification.**